

Message Text

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DRAFTED BY TREAS:AHODGE:OVV

APPROVED BY EUR/NEDAWKINS

TREAS:FLWIDMAN

TREAS:RPATRICK

REAS:R E K

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

UNCLAS STATE 266922

E.O. 11652:

TAGS:ENGR UK

SUBJECT:INCENTIVES TO RETURN NORTH SEA DRILLING RIGS

REF: LONDON 11722

1. FINANCIAL TIMES ARTICLE BY P. LEWIS OF SEPT. 6, 1974, CONCERNING U.S. GOVERNMENT POLICIES WITH RESPECT TO REPATRIATION OF U.S. DRILLING RIGS FROM NORTH SEA IN-ACCURATE. NO SUCH STATEMENTS WERE MADE BY THE U.S. TREASURY OFFICIALS WHO MET WITH INDICATED MEMBERS OF PARLIAMENTARY GROUP.

2. WHILE EFFORTS TO ENCOURAGE REPATRIATION OF U.S. COMPANY OWNED RIGS CURRENTLY OPERATING IN NORTH SEA NOT BEING CONSIDERED OR CONTEMPLATED BY TREASURY DEPT AT THIS TIME,
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PROVISIONS OF THE ENERGY TAX ACT OF 1974, REPORTED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE ON NOV 21, COULD ACT TO DISCOURAGE FUTURE EXPLORATION AND DEVELOPMENT BY US FIRMS

IN THE NORTH SEA AND OTHER WATERS. THE BILL BEING
CONSIDERED WOULD:

A. REMOVE THE INVESTMENT TAX CREDIT NOW ALLOWED ON
NEW FIXED OFFSHORE DRILLING PLATFORMS EXCEPT
FOR PLATFORMS LOCATED IN THE NORTHERN HALF OF
THE WESTERN HEMISPHERE

B. TOTALLY REMOVE THE PERCENTAGE DEPLETION

ALLOWANCE ON FOREIGN OIL PRODUCTION. THE
DOMESTIC DEPLETION ALLOWANCE WOULD ALSO BE
WITHDRAWN, BUT ITS REMOVAL MAY BE STAGED,
WHEREAS THE FOREIGN WITHDRAWAL WOULD BE
IMMEDIATE.

3. PERRY LERNER OF TREASURY OFFICE OF THE INTERNATIONAL
TAX COUNCIL WILL BE IN LONDON DEC 4-7 WILL PROVIDE
TREASURY REP AMMERMAN WITH FURTHER BRIEFING IF DESIRED.
KISSINGER

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